

Carpenter, Cherri

From: Deberry, Drew
Sent: Monday, September 12, 2005 10:24 AM
To: Carpenter, Cherri
Subject: FW: Ag Policy



tmp.htm



Sec Johannis
Listening Session ...

for the Secretary

Drew DeBerry
Deputy Chief of Staff
United States Department of Agriculture

-----Original Message-----

From: Carlson, Merlyn
Sent: Monday, September 12, 2005 10:12 AM
To: DWM
Cc: Deberry, Drew
Subject: FW: Ag Policy

Could you please forward this letter from Mr. Glock on to the Secretary? He knows Mr. Glock quite well.

-----Original Message-----

From: eugeneglock@risingcity.com*inter2
[mailto:eugeneglock@risingcity.com]
Sent: Monday, September 12, 2005 9:06 AM
To: Carlson, Merlyn; gregai@agr.state.ne.us*inter2
Subject: Ag Policy

Greg or Merlyn:

I will not be able to make the Secretary's session in Grand Island. I would appreciate it if you would see that he gets a copy of the attached letter.

Thank you,

Eugene

Eugene T. Glock
Cedar Bell Farms
3031 G Road
Rising City, NE 68658

September 10, 2005

The Honorable Mike Johanns
Secretary, USDA
Washington D.C.

Dear Secretary Johanns:

I would like to have testified at your listening session at Husker Harvest days but will not be able to be there that day. I hope you will accept this substitute for my oral testimony.

I feel that the biggest challenge facing rural America is the depopulation that is taking place. This leads to the demise of small businesses in smaller towns and cities and compounds the problems of education. One factor that has contributed to this depopulation is the influence of current, and past "Farm Programs". These programs have put larger and larger sums of federal money into the hands of fewer and fewer individuals. I have no problem with efficient operators becoming larger if it is by their own abilities but there are too many cases where efficiency has little to do with the growth. It is simply a result of large federal payments giving them an edge over the smaller, especially beginning farmers. They are able to pay cash rents and bid higher for land because of the large amounts of cash available. It is particularly galling to young farmers whose spouses, and sometimes they themselves, are working off the farm to try to make the operation work, see the income tax they pay going to make payments to their large competitors. It is my contention that if the big operations are so efficient, they don't need the taxpayer to subsidize their operation. I don't think the "Farm Programs" were intended to make millionaires out a few at the expense of taxpayers. I think the basic intent of these programs was to shore up an industry that is vital to the nation but, as is the case in many instances, well meaning intent is subverted to the benefit of a few.

With that rather lengthy lead in, here are my thoughts on the future direction of "Farm Programs".

First, to the immediate need to reduce federal spending. I think the USDA budget cuts could and should be addressed by strict payment limitations. I would prefer attribution to social security numbers so that, no matter how many entities a person is a member of, all payments are attributed to social security numbers and when the social security number reaches the limitation, no more payments are made. The limit should be set to fully address the needed cuts but in no circumstance should exceed \$200,000. I have heard from some of my southern friends that this would bankrupt some of the operations. I see this as no more serious than the continual bankrupting of smaller, especially beginning operations in the farm belt under the current program.

For the longer term, I think we need to move to a system that does not pay for the amount of production but how you produce the product. I think our nation is going to eventually realize, as Nebraska has with water, that our natural resources are not infinite in nature. For years Nebraskans basked in the glow of "unlimited water resources". Now we have finally realized, with dramatic negative results in some areas, that there is only so much water and we cannot overuse it without devastating results. I think the same holds true for all our natural resources. Too many large operations, and some smaller operations also, have declared that they cannot farm on the contour or use terraces because it is too inefficient. I contend that we cannot afford to waste water and soil for the sake of gaining financial benefit. In reality, we have found on our farm that conservation tillage, water scheduling, grid sampling and prescription application of fertilizers, and other methods of preserving and enhancing the quality of our soil is a money making investment of time and resources. I think that the Conservation Security Program (CSP) provides the blueprint for converting our "Farm Programs" to something that will benefit everyone, not just the farmers. For those who have said that it disadvantages those with good level, well drained land, I would point out that they already have an advantage over those who farm less desirable land. In addition, they need to check out the program. We found that CSP pays us slightly better on the level farm than on our other rolling farms if you follow all the best practices.

Another area that needs attention is the "insurance versus disaster payments" argument. When I worked with Senator Kerrey, we struggled with the issue and decided that the best avenue for farmers and the taxpayers alike was a comprehensive insurance program that covered prices as well as yields. After several years of discussions with insurance companies and farmers, Crop Revenue Coverage (CRC) was adopted. The premise was that this would replace disaster programs for the crops covered by CRC. However, too many farmers refused to take the CRC coverage and Congress succumbed to the dries of these individuals and provided disaster coverage for them. Of course the number participating in CRC declined somewhat, even though those receiving disaster assistance were required to participate in the future, as many decided they were foolish to pay premiums when the government would give you assistance if you didn't participate in CRC. CRC is a very good program. It has a weakness in that it drops yield coverage too much in times of multi-year droughts or other long-term loss situations. If it could be modified to provide the variable coverage levels based on yield potential in normal years rather than actual history in times of prolonged losses it would better suit the needs of all farmers.

As for coverage for crops not already covered or for livestock, that is very difficult. We worked with the cattlemen and swine producers to develop a program similar to CRC for them. There was so much difference in what each sector of those industries wanted that we asked them to bring us an outline of the coverage they needed. They were unable to reach agreement at that time among themselves so we dropped the idea. We did try to find a way to provide for drought impact on the cow-calf producer but insurance companies demanded a method of determining the amount of lost forage and those involved were unable to come up with an acceptable measuring system.

Peripherally, tax policies also have a great impact on production agriculture, especially on land prices. For one thing, the provision of the tax code that allows for exchanging one piece of land for another of like use needs to have a cap on the amount of

value that can be deferred. Land owners can now sell land for development purposes, many times for ten times or more the value for agricultural production, and then buy land somewhere else for the price of ag-land without paying tax on the gain. Because of this advantage they bid up land far beyond what it normally would bring. If the exchange privilege were limited to the value as ag-land, they would not have quite the advantage they now hold.

I also oppose elimination of the "death tax". I support raising the exemption to something in the range of \$5M-\$7M but I think our early legislators, who wanted to prevent the re-emergence of empire building through unlimited gifts of one generation to the next, had a good idea. The rising cost of land has brought the need to raise the exemption but has not eliminated the underlying need for some limitation.

Having said all the above, I must say that it is imperative that other nations address their subsidy programs as aggressively as I have suggested for the United States. *Europe and South America both provide assistance to their farmers, many times in greater amounts than we do here.* Until they reduce their assistance, we will not be able to compete worldwide. It will be tough anyway because our standard of living is higher than our competitors and we are not likely to voluntarily accept a lower standard of living. One of our challenges is trying to compete with nations whose labor costs are far below ours.

I still feel that we must address the matter of excessive payments to a few producers and do it quickly to try to stem the depopulation of rural America.

I am sorry this is such a long dissertation but I feel passionately that we must make changes or lose the strength the rural communities give our social fabric. It we lose that strength, the fabric will tear and we will see more and more unrest.

Keep up the good work. So far, I may not agree with all your decisions but give you a lot of credit for effort.

Sincerely,

Eugene T. Glock